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SUBJECT: UN: OIOS REPORT ON FRAUD AND CORRUPTION
ALLEGATIONS AT PRISTINA AIRPORT TO BE CONSIDERED BY THE
FIFTH COMMITTEE

REF: USUN 00896

11. Summary. The report of the Office of Internal Oversight Services (OIOS) on the investigation conducted by the Investigations Task Force (ITF) into fraud and corruption allegations at Pristina Airport (A/60/720) will be considered by the Fifth Committee during its 2nd resumed session that begins May 22. The report documents a serious lack of accountability by Harri Holkeri, the former Special Representative of the Secretary-General (SRSG) for the UN Interim Administration Mission in Kosovo (UNMIK), including UNMIK's complete failure to provide oversight and a system of internal controls that resulted in the abuse of public funds by Pristina Airport staff. The report details the nature of the ITF investigation and incorporates comments throughout by the former SRSG including that the ITF lacked jurisdiction in the matter and that, in any event, the alleged corruption was not widespread. During the recent consideration of the report by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (reftel), the Deputy SRSG repeated the assertion of the former SRSG that it was outside of OIOS, jurisdiction to report to the GA on the results of ITF investigations. The Deputy SRSG also refused to address specific allegations of wrongdoing and defended those accused. End summary.

12. The OIOS report on the investigation conducted by the Investigations Task Force (ITF) into fraud and corruption allegations at Pristina Airport was issued on March 14, 2006 following a decision taken in mid-2003 by the OIOS, the European Commission's European Anti-fraud Office (OLAF), and UNMIK to establish an Investigations Task Force (ITF) to identify fraud and corruption in UNMIK as well as in all publicly owned enterprises in Kosovo and those institutions funded from the Kosovo consolidated budget. The decision to establish the ITF resulted from an investigation in 2002 by OIOS and OLAF into the fraudulent activities of a staff member of the Kosovo Energy Company, KEK, which led to the criminal conviction of the staff member. The report includes background information on the structure of UNMIK, reviews events leading up to the investigation, addresses the lack of adequate internal audit arrangements in UNMIK, documents UNMIK's responsibility for the administration of the airport, discusses OIOS, obligation to report the matter to the GA and includes comments by the SRSG. Noting that the ITF submitted 33 reports to the SRSG between August 2004 and June 2005, the report summarizes the most significant cases including several that resulted in criminal referrals. (Note: Current OIOS Under Secretary-General Inga-Britt Ahlenius served as Inspector-General in Kosovo prior to assuming her present duties. She has made clear in both private conversations with USUN and publicly that she is committed to rooting out the corruption she encountered while in Kosovo. End note.)

13. In summary, the OIOS concluded that the 33 case reports strongly supported the assessment that fraud and

mismanagement were rife and that UNMIK,s lack of oversight of the finances, management and personnel of the airport led directly to the abusive practices. The report includes 11 recommendations designed to ensure proper accountability at the airport and to prevent further fraud and corruption including that:

-- UNMIK cooperate with the Kosovo government on the creation of a viable, long-term anti-corruption entity responsible for administrative investigations in the public sector;

-- UNMIK monitor the cases referred to the Department of Justice and report to DPKO and the ITF on the results of the cases;

-- the performance of all managers of Pristina Airport be evaluated in light of the ITF investigations;

-- adequate resources be made available to conduct regular external audits for each of the publicly owned enterprises to assist in improving systems of control and reducing the opportunities for fraudulent activities;

-- UNMIK, through Pillar IV (which is responsible for public institutions and infrastructure reconstruction), conduct training for all staff in the publicly owned enterprises on adherence to rules, both financial and administrative, relevant to each of the publicly owned enterprises;

-- UNMIK take the actions recommended in the individual ITF reports in a speedy and effective manner; and

-- the Secretary-General share this report with the Security Council.

14. It is expected that the Fifth Committee will take note of the report of the OIOS.

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